

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7804**

**BILL NUMBER:** SB 486

**NOTE PREPARED:** Feb 13, 2003

**BILL AMENDED:**

**SUBJECT:** Unemployment Compensation.

**FIRST AUTHOR:** Sen. Harrison

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the maximum weekly unemployment compensation amount over a four year term beginning July 1, 2003.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** The current earnings base used for the computation of weekly benefits is \$7,900 per quarter for a maximum weekly benefit of \$336 for FY 2003. The bill increases the earnings base to :

1. \$8,216 per quarter and increases the maximum weekly benefit to \$349, an increase of \$13 (or 3.7% over FY 2003), for FY 2004,
2. \$8,545 per quarter and increases the maximum weekly benefit to \$362, an increase of \$26 (or 7.7% over FY 2003), for FY 2005,
3. \$8,886 per quarter and increases the maximum weekly benefit to \$375, an increase of \$13 (or 11.7% over FY 2003), for FY 2006.
4. \$9,242 per quarter and increases the maximum weekly benefit to \$390, an increase of \$13 (or 15.4% over FY 2003), for FY 2007.

This provision will impact the amount of benefits available to an individual from the Unemployment Benefit Trust Fund. Based on the amount paid in unemployment benefits in FY 2002, this bill would increase expenditures from the Unemployment Benefit Trust Fund by approximately \$26.4 M in FY 2004, \$55.0 M for FY 2005, \$82.5 M for FY 2006, and \$108.2 M for FY 2007.

*Note:* The Unemployment Benefit Trust Fund is funded by quarterly contributions made by employers. The

amount of each employer's contribution is based on the employer's individual unemployment account history and the past year's statewide unemployment rate. Other factors, including benefits paid to former employees, voluntary payments made, and the partial selling and purchasing of other businesses by the employer also impact each employer's rate. The potential impact of the provisions of this bill will change as the state's economy changes. For example, if the state's unemployment rate increases, the amount of unemployment benefits paid from the Fund will increase, and an employer's contribution rate to the Fund will change.

The state of Indiana is self-insured for unemployment benefits and pays claims as they occur. Each agency is responsible for paying its unemployment claims. For FY 2002 the state paid \$2.7 M in benefits: \$1,463,696 from the General Fund and \$1,287,736 from dedicated funds. The maximum impact to state agencies is about \$103,500 for FY 2004 (\$55,000 from the General Fund and \$48,500 from dedicated funds), \$211,300 for FY 2005 (\$112,400 from the General Fund and \$98,900 from dedicated funds), \$323,000 for FY 2006 (\$171,800 from the General Fund and \$151,200 from dedicated funds), and \$423,600 for FY 2005 (\$255,400 from the General Fund and \$198,200 from dedicated funds).

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Local governments and school corporations could incur an indeterminable increase in expenses as a result of these proposals (see *Explanation of State Expenditures*).

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825